

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Van Buren	County Wayne
Audit Date December 31, 2005	Opinion Date April 5, 2006	Date Accountant Report Submitted To State: June 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 1000 Oakbrook Drive, Suite 400	City Ann Arbor	State MI	ZIP 48104-6815
Accountant Signature 			

# **Charter Township of Van Buren Wayne County, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2005**

# Charter Township of Van Buren

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## Independent Auditor's Report

To the Township Board  
Charter Township of Van Buren  
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Van Buren's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Township Board  
Charter Township of Van Buren  
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moren, PLLC*

April 5, 2006

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis**

### **Overview of the Financial Statements**

The Charter Township of Van Buren's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities** - Most of the Township's basic services are included here, such as the police, fire, public works, community services, and general administration. Property taxes, state-shared revenue, landfill royalties, and charges for services provide most of the funding.
- **Business-type activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.
- **Component units** - The Township includes two other entities in its report: the Downtown Development Authority and the Local Development Finance Authority. Although legally separate, these "component units" are important because the Township is financially accountable for them.

# **Charter Township of Van Buren**

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## **Management's Discussion and Analysis (Continued)**

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- **Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

# Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

### Financial Overview

The Township has combined total net assets of \$85.1 million. This is an increase over 2004 of \$7.1 million. Business-type activities comprise \$60.9 million, and governmental activities make up \$24.2 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets	\$ 18,064	\$ 18,804	\$ 14,367	\$ 10,939	\$ 32,431	\$ 29,743
Noncurrent assets	<u>11,300</u>	<u>9,714</u>	<u>62,528</u>	<u>60,597</u>	<u>73,828</u>	<u>70,311</u>
Total assets	29,364	28,518	76,895	71,536	106,259	100,054
<b>Liabilities</b>						
Current liabilities	4,936	5,162	7,847	7,633	12,783	12,795
Long-term liabilities	<u>232</u>	<u>308</u>	<u>8,173</u>	<u>8,927</u>	<u>8,405</u>	<u>9,235</u>
Total liabilities	<u>5,168</u>	<u>5,470</u>	<u>16,020</u>	<u>16,560</u>	<u>21,188</u>	<u>22,030</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	11,063	9,404	37,143	36,952	48,206	46,356
Restricted	641	697	15,156	13,764	15,797	14,461
Unrestricted	<u>12,492</u>	<u>12,947</u>	<u>8,576</u>	<u>4,260</u>	<u>21,068</u>	<u>17,207</u>
Total net assets	<u><b>\$ 24,196</b></u>	<u><b>\$ 23,048</b></u>	<u><b>\$ 60,875</b></u>	<u><b>\$ 54,976</b></u>	<u><b>\$ 85,071</b></u>	<u><b>\$ 78,024</b></u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased \$.4 million for the governmental activities. The Township is able to report positive balances in all three categories of net assets, both for the governmental activities and business-type activities.



# Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2005:

(In thousands)	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,755	\$ 1,902	\$ 7,276	\$ 5,358	\$ 9,031	\$ 7,260
Operating grants and contributions	591	518	-	-	591	518
Capital grants and contributions	714	253	73	180	787	433
General revenue:						
Property taxes	3,525	3,200	4,875	4,830	8,400	8,030
State-shared revenue	2,013	2,030	-	-	2,013	2,030
Unrestricted fees and other	237	233	-	-	237	233
Unrestricted investment earnings	481	271	594	279	1,075	550
Contribution of land from developer	-	1,200	-	-	-	1,200
Landfill royalties	2,955	3,126	-	-	2,955	3,126
Total revenue	12,271	12,733	12,818	10,647	25,089	23,380
<b>Program Expenses</b>						
General government	2,367	2,233	-	-	2,367	2,233
Public safety	6,188	6,629	-	-	6,188	6,629
Public works	371	174	-	-	371	174
Community and economic development	705	657	-	-	705	657
Recreation and culture	1,492	1,374	-	-	1,492	1,374
Water and sewer	-	-	6,919	6,393	6,919	6,393
Total program expenses	11,123	11,067	6,919	6,393	18,042	17,460
<b>Change in Net Assets</b>	<b>\$ 1,148</b>	<b>\$ 1,666</b>	<b>\$ 5,899</b>	<b>\$ 4,254</b>	<b>\$ 7,047</b>	<b>\$ 5,920</b>

### Governmental Activities

Revenues for governmental activities totaled \$12.2 million. A total of \$3.5 million was in the form of property tax collections. Charges for services such as court fines, building permits, and recreation fees accounted for \$1.8 million in revenue. State-shared revenues continue to be of concern. While they provided \$2.0 million, we are uncertain what will happen in 2006 given the State's continued financial difficulties. Landfill royalties brought in \$2.96 million in 2005.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

The Charter Township of Van Buren has one business-type activity, the water and sewer operation. Revenues for business-type activities were \$12.8 million. Water is provided to the Charter Township of Van Buren's residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with South Huron Valley Utility Authority, Wayne County, the Downriver Sewage System, and the Ypsilanti Community Utility Authority.

### **Current Economic Events**

In 2005, the board of trustees approved the formation of a traffic unit as a means to hire four additional police officers (bringing our total sworn personnel to 39) with the intent first, to provide for the public's safety and second, to do so with a sustainable operation. Forming a self-supporting traffic unit is one method to improve service without seeking support for a tax increase, i.e., millage to do so. If the unit is not first, addressing the public's need for safer roads and is not self-supporting; the unit will be reevaluated to determine whether or not it will be continued.

Other than the aforementioned traffic unit, no staff increases occurred in 2005. In fact, three positions became vacant in 2005, one in management, and the other two in hourly positions. These positions will remain vacant for the time being as a cost savings measure. A needed capital outlay was purchased in 2005 for the Department of Public Safety. In addition, a new telephone system was purchased with installation taking place late in 2005 at a cost of about \$85,000.

In November 2005, the Downtown Development Authority, Township board, and Department of Public Safety broke ground on a new fire station in the northern part of the Township. New Fire Station #2 will be located on the east side of Belleville Road just south of Ecorse Road and will replace the current 40-some year-old building. The new 17,000 square foot station includes four equipment bays, office space, bunking facilities (although Van Buren remains a paid on-call, i.e., part-time, fire department), and meeting rooms. This new fire station will be a voting precinct as well as a severe weather shelter. It is being built to enhance fire safety services without an increase in taxes to do so. The DDA is financing the cost of Fire Station #2 with a 22-year bond at a 4.53 percent interest rate. The funds used to pay the annual bond payments come from the capture of property taxes within the DDA district as provided for by State law.

In 2005, the DDA also refinanced the bond issued to fund the improvements that were made to Township Hall in the mid 90s. The bond was refinanced to reduce the interest rate from 8.4 percent to 4.67 percent. Not only will this save the DDA \$1.48 million, but it will also enable the bond to be paid off in 10 years, two years earlier than the original bond.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

In June, the board approved undertaking an evaluation of the Township's information technologies at a cost of \$39,000. This technology evaluation was to encompass the wide range of technologies utilized at the Township from the personal computers one sees on every desk, to the computer aided dispatch and E-9-1-1 systems in Public Safety, to the software that enables financial records to be maintained as well as software that is used in development and leisure services. Other technologies evaluated included software for maintaining property assessment and tax records and geographic information systems. The assessment was to define the maturity of existing technologies and provide recommendations for future improvements and establish financial estimates and the prioritization of those recommendations. The intent is for the plan to serve as a guide for future technology advancements and improvements, and to enhance or achieve service efficiencies. The board received and filed the plan in early 2006.

In parks and recreation, a number of projects, made possible with the \$2 million Wayne County parks grant the Township was awarded in 2004, commenced in 2005. Among these are improvements to the beach area and the relocation of the entrance at Van Buren Park, restrooms for Van Buren and French Landing Parks, and completion of the Senior Activity Garden located in Quirk Park behind Township Hall.

The Water and Sewer Department commenced design work on a \$16 million equalization basin, a large storage tank that would be used to store storm water to be released into the sanitary sewer system after wet weather events to prevent flooding and to guard against flows in the system exceeding contractual capacities. This multi-million dollar project has received approval by the State of Michigan for inclusion in its list of State Revolving Fund projects as being eligible for a low-interest (1.625 percent) loan to make this vital project affordable for our community. The basin will be built on property west of Hannan Road and south of Huron River Drive, which the Township is acquiring from Wayne County.

### **Financial Analysis of Township Funds and Budgets**

The General Fund 2005 budget approved by the board prior to the start of the fiscal year was \$11,775,738. Final amendments to the 2005 budget resulted in a revised budget of \$11,679,505 a \$96,233 reduction. Initial revenues were projected at \$8,071,752 with \$3,447,775 in planned transfers from General Fund fund balance and the Landfill Fund. Final 2005 budget amendments reflected revenues of \$7,859,784, \$211,968 less than anticipated, with planned transfers decreasing to \$3,417,330.

The General Fund ended 2005 with a fund balance of \$3.1 million, with \$122,018 reserved for prepaids. Total revenues were \$8.6 million, excluding a transfer in from the Landfill Fund of \$3.4 million. Tax revenue was up due to increased taxable value. Tax collections were \$3.1 million for 2005, which is an increase of \$200,000 over 2004. State-shared revenue was \$2.0 million, and licenses and permit revenue was \$1.0 million. Total expenditures were \$11.8 million. The cost of public safety (the five components comprising police, fire, emergency dispatch, emergency management, and animal control) alone is approximately \$6.4 million of the operating budget.

# **Charter Township of Van Buren**

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## **Management's Discussion and Analysis (Continued)**

The General Fund budget is amended throughout the year as deemed necessary. This is done primarily to prevent expenditures from being over budget.

### **Capital Assets and Debt**

At the end of 2005, the Township had approximately \$57 million invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, net of related accumulated depreciation.

Debt related to the water and sewer system totaling \$8.9 million is recorded as a liability in the business-type activities in the statement of net assets.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition and to show the Township's accountability for money it receives. Should you have further questions, we welcome you to contact the clerk's office.

# Charter Township of Van Buren

## Statement of Net Assets (Deficit) December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 13,572,466	\$ 8,491,605	\$ 22,064,071	\$ 4,955,113
Receivables - Net:				
Property taxes	3,344,712	4,454,881	7,799,593	5,055
Special assessments	211,164	2,128	213,292	-
Customers	-	1,313,872	1,313,872	-
Accrued interest and other receivables	284,249	61,754	346,003	5,748
Internal balances (Note 5)	6,387	(6,387)	-	-
Due from governmental units	522,183	29,192	551,375	-
Prepaid expenditures	122,641	19,781	142,422	-
Long-term assessment receivable	-	10,369	10,369	-
Restricted assets (Note 7)	-	16,457,932	16,457,932	8,240,449
Capital assets (Note 4):				
Capital assets not being depreciated	2,849,897	1,384,600	4,234,497	-
Capital assets being depreciated - Net	8,450,430	44,675,022	53,125,452	989,587
<b>Total assets</b>	<b>29,364,129</b>	<b>76,894,749</b>	<b>106,258,878</b>	<b>14,195,952</b>
<b>Liabilities</b>				
Accounts payable	527,367	589,839	1,117,206	276,984
Accrued and other liabilities	140,041	987,589	1,127,630	1,593,178
Cash bonds and deposits	377,465	-	377,465	-
Deferred revenue (Note 15)	3,815,462	5,503,716	9,319,178	2,406,077
Noncurrent liabilities (Note 6):				
Due within one year	75,759	765,641	841,400	1,142,638
Due in more than one year	231,839	8,173,002	8,404,841	34,776,033
<b>Total liabilities</b>	<b>5,167,933</b>	<b>16,019,787</b>	<b>21,187,720</b>	<b>40,194,910</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	11,062,759	37,142,993	48,205,752	989,587
Restricted:				
Law enforcement	128,522	-	128,522	-
911 service	394,378	-	394,378	-
Museum capital projects	17,087	-	17,087	-
Special assessments	101,495	-	101,495	-
Water and sewer line construction and debt (Note 7)	-	15,155,978	15,155,978	-
Debt service	-	-	-	3,206,063
Unrestricted	12,491,955	8,575,991	21,067,946	(30,194,608)
<b>Total net assets (deficit)</b>	<b>\$ 24,196,196</b>	<b>\$ 60,874,962</b>	<b>\$ 85,071,158</b>	<b>\$ (25,998,958)</b>

# Charter Township of Van Buren

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,367,633	\$ 117,486	\$ -	\$ -
Public safety	6,188,712	1,219,857	192,045	516,152
Public works	370,825	-	84,494	137,765
Community and economic development	705,043	142,547	241,745	60,580
Recreation and culture	1,491,780	274,833	72,742	-
Total governmental activities	11,123,993	1,754,723	591,026	714,497
Business-type activities - Water and sewer	6,919,172	7,276,364	-	73,303
Total primary government	<u><b>\$ 18,043,165</b></u>	<u><b>\$ 9,031,087</b></u>	<u><b>\$ 591,026</b></u>	<u><b>\$ 787,800</b></u>
Component units:				
Downtown Development Authority	\$ 1,882,340	\$ -	\$ -	\$ -
Local Development Finance Authority	2,452,278	-	-	-
Total component units	<u><b>\$ 4,334,618</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted fees and other				
Unrestricted investment earnings				
Landfill royalties				
Total general revenues				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2005**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,250,147)	\$ -	\$ (2,250,147)	\$ -
(4,260,658)	-	(4,260,658)	-
(148,566)	-	(148,566)	-
(260,171)	-	(260,171)	-
(1,144,205)	-	(1,144,205)	-
(8,063,747)	-	(8,063,747)	-
-	430,495	430,495	-
(8,063,747)	430,495	(7,633,252)	-
-	-	-	(1,882,340)
-	-	-	(2,452,278)
-	-	-	(4,334,618)
3,525,095	4,874,880	8,399,975	3,166,585
2,013,192	-	2,013,192	-
237,438	-	237,438	-
481,287	593,990	1,075,277	260,054
2,954,751	-	2,954,751	-
9,211,763	5,468,870	14,680,633	3,426,639
1,148,016	5,899,365	7,047,381	(907,979)
23,048,180	54,975,597	78,023,777	(25,090,979)
<b>\$ 24,196,196</b>	<b>\$ 60,874,962</b>	<b>\$ 85,071,158</b>	<b>\$ (25,998,958)</b>

# Charter Township of Van Buren

## Governmental Funds Balance Sheet December 31, 2005

	General Fund	Landfill Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 3,615,072	\$ 8,548,850	\$ 1,408,544	\$ 13,572,466
Receivables:				
Property taxes	3,344,712	-	-	3,344,712
Special assessments	-	-	211,164	211,164
Accrued interest and other receivables	96,739	187,510	-	284,249
Prepaid expenditures	122,018	-	623	122,641
Due from other funds (Note 5)	272,532	93,182	115,524	481,238
Due from other governmental units	363,762	-	158,421	522,183
<b>Total assets</b>	<b>\$ 7,814,835</b>	<b>\$ 8,829,542</b>	<b>\$ 1,894,276</b>	<b>\$ 18,538,653</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 376,221	\$ -	\$ 151,146	\$ 527,367
Accrued and other liabilities	139,525	-	516	140,041
Due to other funds	-	115,524	359,327	474,851
Cash bonds and deposits	377,465	-	-	377,465
Deferred revenue (Note 15)	3,843,210	-	340,123	4,183,333
<b>Total liabilities</b>	<b>4,736,421</b>	<b>115,524</b>	<b>851,112</b>	<b>5,703,057</b>
<b>Fund Balances</b>				
Reserved for:				
Law enforcement	-	-	128,522	128,522
911 service	-	-	394,378	394,378
Museum capital projects	-	-	17,087	17,087
Special assessments	-	-	101,495	101,495
Prepays	122,018	-	-	122,018
Unreserved, reported in:				
General Fund	794,364	-	-	794,364
Special Revenue Funds	-	2,564,018	(61,422)	2,502,596
Designated (Note 13)	2,162,032	6,150,000	463,104	8,775,136
<b>Total fund balances</b>	<b>3,078,414</b>	<b>8,714,018</b>	<b>1,043,164</b>	<b>12,835,596</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,814,835</b>	<b>\$ 8,829,542</b>	<b>\$ 1,894,276</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	11,300,327
Special assessment and delinquent property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	367,871
Long-term notes payable are not due and payable in the current period and are not reported in the funds	(237,568)
Compensated absences are not due and payable in the current period and are not reported in the funds	(70,030)
<b>Net assets of governmental activities</b>	<b>\$ 24,196,196</b>



# Charter Township of Van Buren

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General Fund	Landfill Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 3,109,522	\$ -	\$ -	\$ 3,109,522
Licenses, fees, and permits	1,020,215	-	-	1,020,215
State sources	2,013,192	-	-	2,013,192
Federal sources	349,929	-	128,403	478,332
Charges for services	645,217	-	-	645,217
Interest income	217,243	222,572	41,472	481,287
Special assessments	-	-	27,475	27,475
Landfill royalties	-	2,954,751	-	2,954,751
Other revenue	1,247,878	-	427,964	1,675,842
Total revenue	8,603,196	3,177,323	625,314	12,405,833
<b>Expenditures</b>				
General government	2,681,152	-	-	2,681,152
Public safety	6,447,437	-	292,976	6,740,413
Public works	135,859	-	132,521	268,380
Community and economic development	278,047	-	355,158	633,205
Recreation and culture	1,705,133	-	72,542	1,777,675
Insurance and other	550,132	-	274,673	824,805
Total expenditures	11,797,760	-	1,127,870	12,925,630
<b>Excess of Revenue Over (Under) Expenditures</b>	(3,194,564)	3,177,323	(502,556)	(519,797)
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,417,330	-	115,524	3,532,854
Transfers out	-	(3,532,854)	-	(3,532,854)
Total other financing sources (uses)	3,417,330	(3,532,854)	115,524	-
<b>Net Change in Fund Balances</b>	222,766	(355,531)	(387,032)	(519,797)
<b>Fund Balances - Beginning of year</b>	2,855,648	9,069,549	1,430,196	13,355,393
<b>Fund Balances - End of year</b>	<u>\$ 3,078,414</u>	<u>\$ 8,714,018</u>	<u>\$ 1,043,164</u>	<u>\$ 12,835,596</u>

# Charter Township of Van Buren

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ (519,797)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,628,285

In the statement of activities, the loss on disposal of assets is recorded and in the funds the proceeds from sale of assets are reported (41,685)

Governmental funds report issuance of debt as revenues and principal payments of the debt as expenditures; in the statement of activities, these proceeds are recorded as a liability and principal payments as a reduction to the liability 72,523

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end 110,290

Certain revenue reported in the statement of activities in the current year does not provide current financial resources in the governmental funds until future years (101,746)

The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities 146

**Change in Net Assets of Governmental Activities** \$ 1,148,016

# Charter Township of Van Buren

## Proprietary Fund - Enterprise - Water and Sewer Fund

### Statement of Net Assets

December 31, 2005

(with comparative information for 2004)

	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 8,491,605	\$ 5,278,947
Receivables:		
Property taxes	4,454,881	3,863,915
Special assessments	2,128	3,200
Customers	1,313,872	921,696
Accrued interest and other receivables	61,754	259,772
Due from other funds (Note 5)	-	2,050
Due from other governmental units	29,192	591,375
Prepaid expenses	19,781	18,518
Total current assets	14,373,213	10,939,473
Noncurrent assets:		
Long-term assessments receivable	10,369	14,668
Restricted assets (Note 7)	16,457,932	13,763,553
Capital assets not being depreciated (Note 4)	1,384,600	3,234,573
Capital assets being depreciated - Net (Note 4)	44,675,022	43,583,823
Total noncurrent assets	62,527,923	60,596,617
Total assets	76,901,136	71,536,090
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	589,839	746,868
Due to other funds (Note 5)	6,387	-
Accrued and other liabilities	987,589	917,700
Deferred revenue (Note 15)	5,503,716	5,009,573
Current portion of long-term obligations (Note 6)	765,641	959,251
Total current liabilities	7,853,172	7,633,392
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	8,173,002	8,927,101
Total liabilities	16,026,174	16,560,493
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	37,142,993	36,951,955
Restricted (Note 7)	15,155,978	13,763,553
Unrestricted	8,575,991	4,260,089
Total net assets	<u>\$ 60,874,962</u>	<u>\$ 54,975,597</u>

# Charter Township of Van Buren

## Proprietary Fund - Enterprise - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2005 (with comparative information for 2004)

	2005	2004
<b>Operating Revenue</b>		
Water sales	\$ 2,244,946	\$ 1,596,911
Sewage disposal revenue	1,712,917	1,285,441
Water and sewer service charge	2,319,824	2,093,797
Customer penalties	92,032	61,332
Other revenue	453,508	320,123
Total operating revenue	6,823,227	5,357,604
<b>Operating Expenses</b>		
Salaries and wages	671,794	608,207
Payroll taxes and fringe benefits	313,044	267,468
Insurance	171,479	168,924
Supplies and materials	33,080	68,460
Engineering fees	8,480	16,627
Professional services	82,718	180,709
Vehicle expense	28,666	19,986
Water purchase	2,062,543	1,723,612
Sewage disposal charges	1,310,007	1,181,504
Maintenance	39,253	73,360
Depreciation and amortization	1,492,392	1,326,114
Administration fee	386,198	365,715
Other expenses	89,385	97,218
Total operating expenses	6,689,039	6,097,904
<b>Operating Income (Loss)</b>	134,188	(740,300)
<b>Nonoperating Revenue (Expense)</b>		
Property taxes	4,874,880	4,829,549
Federal sources	59,913	59,925
Interest income	593,990	279,041
Interest expense	(230,133)	(294,882)
Total nonoperating revenue	5,298,650	4,873,633
<b>Income - Before capital contributions</b>	5,432,838	4,133,333
<b>Capital Contributions</b>	466,527	120,205
<b>Change in Net Assets</b>	5,899,365	4,253,538
<b>Net Assets - Beginning of year</b>	54,975,597	50,722,059
<b>Net Assets - End of year</b>	<u>\$ 60,874,962</u>	<u>\$ 54,975,597</u>

# Charter Township of Van Buren

## Proprietary Fund - Enterprise - Water and Sewer Fund

### Statement of Cash Flows

Year Ended December 31, 2005

(with comparative information for 2004)

	2005	2004
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 6,197,290	\$ 5,198,606
Payments to suppliers	(4,297,186)	(3,780,174)
Payments to employees	(978,111)	(869,034)
Other receipts	454,295	297,970
Net cash provided by operating activities	1,376,288	847,368
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from property tax levy	4,778,057	5,161,929
Capital contribution	453,137	-
Collection of customer special assessments	6,470	5,858
Proceeds from grant revenue	600,367	-
Purchase of capital assets	(710,789)	(1,536,869)
Increase in monies held at Wayne County for debt retirement	(95,084)	(162,090)
Principal and interest paid on capital debt	(1,013,585)	(1,416,281)
Net cash provided by capital and related financing activities	4,018,573	2,052,547
<b>Cash Flows from Investing Activities</b> - Interest received on investments	569,853	201,776
<b>Net Increase in Cash and Cash Equivalents</b>	5,964,714	3,101,691
<b>Cash and Cash Equivalents</b> - Beginning of year	17,682,869	14,581,178
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 23,647,583</u>	<u>\$ 17,682,869</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and equivalents	\$ 8,491,605	\$ 5,278,947
Restricted assets (Note 7)	15,155,978	12,403,922
Total cash and cash equivalents	<u>\$ 23,647,583</u>	<u>\$ 17,682,869</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ 134,188	\$ (740,300)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization	1,492,392	1,326,114
Changes in assets and liabilities:		
Receivables	(194,158)	161,124
Prepaid expenses	(1,263)	(23)
Due from other funds	8,437	(400)
Due from other governmental units	21,729	(21,729)
Accounts payable	(157,029)	(59,468)
Accrued and other liabilities	71,992	182,050
Net cash provided by operating activities	<u>\$ 1,376,288</u>	<u>\$ 847,368</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2005, the Water and Sewer Fund received \$13,390 of vehicles donated from governmental activities. In addition, the Township has assets held at Wayne County for the purpose of financing water and sewer lines. During the year ended December 31, 2005, interest income of \$23,038 was earned on these assets and \$51,617 was expended for interest payments.

# Charter Township of Van Buren

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## **Fiduciary Fund - Agency Fund Statement of Assets and Liabilities December 31, 2005**

<b>Assets</b> - Cash and cash equivalents	<u><u>\$ 1,490,239</u></u>
<b>Liabilities</b> - Due to other governmental units	<u><u>\$ 1,490,239</u></u>

# Charter Township of Van Buren

## Component Units Statement of Net Assets (Deficit) December 31, 2005

	DDA	LDFA	Totals
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 4,320,806	\$ 634,307	\$ 4,955,113
Property tax receivable	5,055	-	5,055
Accounts receivable	5,748	-	5,748
Restricted assets (Note 7)	4,946,519	3,293,930	8,240,449
Capital assets being depreciated - Net (Note 4)	989,587	-	989,587
<b>Total assets</b>	<b>10,267,715</b>	<b>3,928,237</b>	<b>14,195,952</b>
<b>Liabilities</b>			
Accounts payable	215,987	60,997	276,984
Accrued liabilities	141,284	1,451,894	1,593,178
Deferred revenue	1,097,108	1,308,969	2,406,077
Noncurrent liabilities (Note 6):			
Due within one year	497,638	645,000	1,142,638
Due in more than one year	8,266,377	26,509,656	34,776,033
<b>Total liabilities</b>	<b>10,218,394</b>	<b>29,976,516</b>	<b>40,194,910</b>
<b>Net Assets (Deficit)</b>			
Investment in capital assets	989,587	-	989,587
Restricted for debt service	1,254,813	1,951,250	3,206,063
Unrestricted	(2,195,079)	(27,999,529)	(30,194,608)
<b>Total net assets (deficit)</b>	<b>\$ 49,321</b>	<b>\$ (26,048,279)</b>	<b>\$ (25,998,958)</b>

# Charter Township of Van Buren

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Downtown Development Authority:				
Community and economic development	\$ 1,545,885	\$ -	\$ -	\$ -
Interest on long-term debt	336,455	-	-	-
Local Development Finance Authority:				
Community and economic development	877,332	-	-	-
Interest on long-term debt	1,574,946	-	-	-
Total governmental activities	<u>\$ 4,334,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted investment earnings				
Total general revenues				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				



**Component Units  
Statement of Activities  
Year Ended December 31, 2005**

Net (Expense) Revenue and Changes in Net Assets

<u>DDA</u>	<u>LDFA</u>	<u>Total</u>
\$ (1,545,885)	\$ -	\$ (1,545,885)
(336,455)	-	(336,455)
-	(877,332)	(877,332)
<u>-</u>	<u>(1,574,946)</u>	<u>(1,574,946)</u>
(1,882,340)	(2,452,278)	(4,334,618)
1,821,268	1,345,317	3,166,585
<u>158,554</u>	<u>101,500</u>	<u>260,054</u>
<u>1,979,822</u>	<u>1,446,817</u>	<u>3,426,639</u>
97,482	(1,005,461)	(907,979)
<u>(48,161)</u>	<u>(25,042,818)</u>	<u>(25,090,979)</u>
<u><b>\$ 49,321</b></u>	<u><b>\$ (26,048,279)</b></u>	<u><b>\$ (25,998,958)</b></u>

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Van Buren (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Van Buren:

#### **Reporting Entity**

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

#### **Discretely Presented Component Units**

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in a specific district, encourage historical preservation, and to promote economic growth within a specific district. The DDA's governing body, which consists of 11 individuals, is selected by the board of trustees. In addition, the DDA's budget is subject to approval by the board of trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Local Development Financing Authority (LDFA) was created to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the LDFA by collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the LDFA's district boundaries. The LDFA's governing body, which consists of 11 individuals, is selected by the board of trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Landfill Fund** - The Landfill Fund accounts for royalty payments received related to the landfill.

The Township reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services and a local property tax levy.

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Property taxes to be used for capital costs and debt service are recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The 2004 taxable valuation of the Township totaled \$948,075,807 (a portion of which is abated and a portion of which is captured by the LDFA and DDA), on which ad valorem taxes levied consisted of .9202 mills for operating purposes, 2.9862 mills for public safety, and 5.5906 mills for water and sewer. This resulted in \$733,000 for operating, \$2,384,000 for public safety, and \$4,876,000 for water and sewer. These amounts are recognized in the General and Water and Sewer Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted assets of the Water and Sewer Fund represent amounts on deposit at the county and property tax collections to be used for the capital costs or debt service of the Township's water and sewer lines. The Downtown Development Authority Bonds and the Local Development Finance Authority Bonds require amounts to be set aside for debt service principal and interest and bond reserves. Additionally, the unspent bond proceeds of the Local Development Finance Authority and Downtown Development Authority are required to be set aside for construction. These amounts have also been classified as a restricted asset.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Utility system	50 years
Land improvement	15 years
Buildings and improvements	50 years
Equipment and furniture	5-10 years
Vehicles	5 years
French Landing dam	50 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - The annual budget is prepared by the Township treasurer and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds with the following exceptions:

- Certain federal revenue is budgeted as an offset to the related expenditures being reimbursed.
- Budgets were not adopted for the following Nonmajor Special Revenue Funds:
  - Venetian DeWitt Paving
  - Belle Harbor/Lake Crest Paving

Budgets were adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township board is included in the required supplemental information.

This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the Township board is available at the clerk's office for inspection.

There were no significant expenditure budget overruns for the year ended December 31, 2005.

**Fund Deficits** - The deficit in the Lohr Road Fund of \$76,287, Venetian/DeWitt Paving Fund of \$4,944, and the Belle Harbor/Lake Crest Paving Fund of \$127,577 will be eliminated in future years as special assessment district collections are received.

The accumulated deficit in the Community Development Block Grant Fund of \$116,694 will be eliminated upon receipt of a reimbursement from the county.



# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2005	\$ (420,459)
Current year building permit revenue	929,054
Related expenses:	
Direct costs	907,340
Estimated indirect costs	<u>194,622</u>
Total construction code expenses	<u>1,101,962</u>
Cumulative shortfall at December 31, 2005	<u><u>\$ (593,367)</u></u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds' investment earnings are allocated to the General Fund. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authority as listed above. The component units' investment policy mirrors that of the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 3 - Deposits and Investments (Continued)

The Township and component units' cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$18,898,251 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized; the component units had \$8,249,043 that were uninsured and uncollateralized. Additionally, the Township holds \$2,898,000 in negotiable certificates of deposit which are entirely covered by FDIC insurance. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government securities	\$ 6,150,000	13.6 months
Negotiable certificates of deposit	2,898,000	7.5 months

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

#### Government-wide

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 9,061,816	AI/PI/FI	S & P
Bank investment pool	900,697	Not rated	N/A
Negotiable certificates of deposit	2,898,000	Not rated	N/A

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 3 - Deposits and Investments (Continued)

#### Component Units

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 4,946,520	AI/PI/FI	S & P

### Note 4 - Capital Assets

Capital asset activity of the Township's governmental activities, business-type activities, and component units was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,638,593	\$ 505,822	\$ -	\$ 2,144,415
Construction in progress	-	705,482	-	705,482
Subtotal	1,638,593	1,211,304	-	2,849,897
Capital assets being depreciated:				
Land improvements	519,994	219,413	-	739,407
Buildings and improvements	5,742,892	100,624	-	5,843,516
Equipment and furniture	2,181,403	392,570	-	2,573,973
Vehicles	3,186,403	401,295	(147,812)	3,439,886
French Landing dam	2,809,800	-	-	2,809,800
Subtotal	14,440,492	1,113,902	(147,812)	15,406,582
Accumulated depreciation:				
Land improvements	56,730	35,296	-	92,026
Buildings and improvements	1,116,420	161,185	-	1,277,605
Equipment and furniture	1,404,135	296,318	-	1,700,453
Vehicles	2,045,997	204,122	(106,127)	2,143,992
French Landing dam	1,742,076	-	-	1,742,076
Subtotal	6,365,358	696,921	(106,127)	6,956,152
Net capital assets being depreciated	8,075,134	416,981	(41,685)	8,450,430
Net capital assets	\$ 9,713,727	\$ 1,628,285	\$ (41,685)	\$ 11,300,327

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 4 - Capital Assets (Continued)

	Balance January 1, 2005	Reclassifications*	Additions	Disposals and Adjustments	Balance December 31, 2005
<b>Business-type Activities</b>					
Capital assets not being depreciated - Construction in progress	\$ 3,234,573	\$ (2,251,251)	\$ 401,278	\$ -	\$ 1,384,600
Capital assets being depreciated:					
Buildings	300,000	-	6,325	-	306,325
Utility system	63,816,912	2,251,251	270,040	-	66,338,203
Equipment	442,352	-	5,826	-	448,178
Vehicles	424,271	-	40,710	(52,281)	412,700
Subtotal	64,983,535	2,251,251	322,901	(52,281)	67,505,406
Accumulated depreciation:					
Buildings	54,000	-	6,069	-	60,069
Utility system	20,810,549	-	1,396,474	-	22,207,023
Equipment	328,960	-	20,589	-	349,549
Vehicles	206,203	-	59,821	(52,281)	213,743
Subtotal	21,399,712	-	1,482,953	(52,281)	22,830,384
Net capital assets being depreciated	43,583,823	2,251,251	(1,160,052)	-	44,675,022
Net capital assets	<u>\$ 46,818,396</u>	<u>\$ -</u>	<u>\$ (758,774)</u>	<u>\$ -</u>	<u>\$ 46,059,622</u>

\* The Township reclassified certain water and sewer utility construction projects from construction in progress to reflect the assets placed in service during the year ended December 31, 2005.

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
<b>Component Unit - DDA</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 10,330	\$ -	\$ (10,330)	\$ -
Land	505,822	-	(505,822)	-
Subtotal	516,152	-	(516,152)	-
Capital assets being depreciated - Land improvements	1,384,497	-	(93,662)	1,290,835
Accumulated depreciation - Land improvements	234,952	76,244	(9,948)	301,248
Net component unit capital assets being depreciated	1,149,545	(76,244)	(83,714)	989,587
Net capital assets	<u>\$ 1,665,697</u>	<u>\$ (76,244)</u>	<u>\$ (599,866)</u>	<u>\$ 989,587</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 123,188
Public safety	473,291
Community and economic development	36,630
Recreation and culture	<u>63,812</u>

Total governmental activities \$ 696,921

Business-type activities - Water and sewer \$ 1,482,953

**Construction Commitments** - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Fire Station #2	\$ 448,912	\$ 3,426,188
EQ Basin Design	<u>35,712</u>	<u>714,288</u>
Total	<u>\$ 484,624</u>	<u>\$ 4,140,476</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 266,145
Landfill Fund	Nonmajor governmental funds	93,182
Nonmajor governmental funds	Landfill Fund	115,524
General Fund	Water and Sewer Fund	<u>6,387</u>
Total		<u>\$ 481,238</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
Landfill Fund	Capital Improvement Fund	\$ 115,524
Landfill Fund	General Fund	3,417,330
Total		<u>\$ 3,532,854</u>

The transfer from the Landfill Fund to the General Fund represents royalties received from Waste Management, of which \$3,067,330 represents the use of unrestricted resources to finance general government operations, in accordance with budgetary authorizations. The remaining funds received by the Landfill Fund from Waste Management and transferred to the General Fund are for the following purposes: \$200,000 for public health safety and welfare; \$100,000 for parks and recreation beautification and improvements; and \$50,000 for environmental protections.

The transfers from the Landfill Fund to the Capital Improvement Fund represent funds used for construction of capital assets within the Township.

### Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. County contractual agreements and State Revolving Funds are obligations of the Water and Sewer Fund.

The employee compensated absences represent the estimated liability to be paid to employees under the Township's vacation policy. Under the Township's policy, employees earn vacation time based on time of service with the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Installment purchase obligation - Pierce Class "A" Fire -		\$72,523 -					
Amount of issue - \$385,079	4.37%	\$82,670	\$ 310,091	\$ -	\$ (72,523)	\$ 237,568	\$ 75,759
Other long-term obligations - Compensated absences			70,176	-	(146)	70,030	-
Total governmental activities			<u>\$ 380,267</u>	<u>\$ -</u>	<u>\$ (72,669)</u>	<u>\$ 307,598</u>	<u>\$ 75,759</u>
<b>Business-type Activities</b>							
Contractual obligations with Wayne County:							
Metropolitan Water Supply System, Series III Bonds:							
Amount of issue - \$875,000							
Maturing through 2005	4.00%	\$40,000	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
Metropolitan Sewerage and Sewer Disposal System, Series I Bonds:							
Amount of issue - \$2,750,000							
Maturing through 2005	4.125%	\$100,000	100,000	-	(100,000)	-	-
Metropolitan Sewerage and Sewer Disposal System, Series II Bonds:							
Amount of issue - \$1,675,000							
Maturing through 2005	4.00%	\$60,000	60,000	-	(60,000)	-	-
1994 Wastewater Refunding Bonds:							
Amount of issue - \$677,368		\$53,118 -					
Maturing through 2009	6.00%	\$65,376	297,370	-	(53,118)	244,252	56,750
Metropolitan Water Supply System, Series IV Bonds:							
Amount of issue - \$1,000,000							
Maturing through 2006	6.50%	\$60,000	120,000	-	(60,000)	60,000	60,000
Metropolitan Sewerage and Sewer Disposal System, Series III Bonds:							
Amount of issue - \$2,000,000							
Maturing through 2006	6.50%	\$80,000	160,000	-	(80,000)	80,000	80,000
Downriver Sewage Disposal Bonds, Series A:							
Amount of issue - \$73,539	4.5% -	\$5,944					
Maturing through 2013	5.125%	\$8,605	64,595	-	(5,944)	58,651	6,227
Downriver Sewage Disposal System Bonds, Partial Completion Bonds:							
Amount of issue - \$283,580	4.5% -	\$11,906 -					
Maturing through 2018	5.125%	\$22,206	231,133	-	(11,906)	219,227	12,473
State Revolving Fund - Downriver Sewage Disposal System Bonds:							
Amount of issue - \$2,364,903		\$107 -					
Maturing through 2021	2.00%	\$62,460	1,652,060	-	(106,424)	1,545,636	108,350
South Huron Valley Wastewater Control System: SRF Expansion Bonds:							
Amount of issue - \$26,307,133		\$337,445 -					
Maturing through 2020	2.25%	\$471,000	6,403,309	-	(337,445)	6,065,864	344,749
Deferred amount on refunding			(40,901)		9,439	(31,462)	(9,439)
South Huron Valley Wastewater Control System Bonds - SRF:							
Amount of issue - \$1,803,964		\$104,414 -					
Maturing through 2011	2.00%	\$117,815	778,875	-	(104,414)	674,461	106,531
Compensated absences	-	-	19,911	2,103	-	22,014	-
Total business-type activities			<u>\$ 9,886,352</u>	<u>\$ 2,103</u>	<u>\$ (949,812)</u>	<u>\$ 8,938,643</u>	<u>\$ 765,641</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Units</b>							
Downtown Development Authority:							
1995 Revenue Bonds:							
Amount of issue - \$5,000,000		\$155,000 -					
Maturing through 2016	8.40%	\$700,000	\$ 4,565,000	\$ -	\$ (4,565,000)	\$ -	\$ -
2005 Revenue Bond:							
Amount of issue - \$4,405,000	3.00%	\$145,000 -					
Maturing through 2025	5.00%	\$330,000	-	4,405,000	-	4,405,000	145,000
2005 Refunding Bond:							
Amount of issue - \$4,440,000	3.50%	\$360,000 -					
Maturing through 2015	5.00%	\$660,000	-	4,440,000	-	4,440,000	360,000
Deferred amount on refunding				(88,347)	7,362	(80,985)	(7,362)
Local Development Financing Authority:							
Tax Increment Bonds - Series 2003:	2.25%						
Amount of issue - \$28,199,656	5.38%	\$245,000 -					
Maturing through 2032		\$2,285,000	27,804,656	-	(650,000)	27,154,656	645,000
Total component unit activities			\$ 32,369,656	\$ 8,756,653	\$ (5,207,638)	\$ 35,918,671	\$ 1,142,638

The Township has committed its full faith and credit for all debt outstanding for the Local Development Finance Authority.

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 75,759	\$ 10,599	\$ 86,358	\$ 775,080	\$ 214,769	\$ 989,849	\$ 1,150,000	\$ 1,337,525	\$ 2,487,525
2007	79,139	7,219	86,358	652,114	193,626	845,740	1,180,000	1,317,526	2,497,526
2008	82,670	3,688	86,358	667,513	176,499	844,012	1,235,000	1,282,364	2,517,364
2009	-	-	-	683,705	158,829	842,534	1,290,000	1,243,627	2,533,627
2010	-	-	-	632,732	142,694	775,426	890,000	1,207,723	2,097,723
2011-2015	-	-	-	2,862,607	507,801	3,370,408	4,825,000	5,401,087	10,226,087
2016-2020	-	-	-	2,667,099	180,564	2,847,663	9,415,000	3,701,704	13,116,704
2021-2025	-	-	-	7,241	180	7,421	9,970,165	4,578,243	14,548,408
2026-2030	-	-	-	-	-	-	4,689,382	9,437,274	14,126,656
2030-2035	-	-	-	-	-	-	1,355,109	4,684,891	6,040,000
Total	\$ 237,568	\$ 21,506	\$ 259,074	\$ 8,948,091	\$ 1,574,962	\$ 10,523,053	\$ 35,999,656	\$ 34,191,964	\$ 70,191,620



# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 6 - Long-term Debt (Continued)

**Advance and Current Refundings** - During the year, the Downtown Development Authority issued \$4,440,000 in tax increment revenue refunding bonds with an average interest rate of 4.25 percent. The proceeds of these bonds were used to advance refund \$4,410,000 of outstanding 1995 revenue bonds with an average interest rate of 8.4 percent. The net proceeds of \$4,498,347 (after payment of \$211,335 in underwriting fees, insurance, and other issuance costs) plus an additional \$444,000 of debt service reserve monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net assets. The advance refunding reduced total debt service payments over the next 10 years by approximately \$1,471,000, which represents an economic gain of approximately \$1,004,000.

### Note 7 - Restricted Assets

The balances of the restricted asset accounts are as follows:

		Component Units		
	Business-type Activities	DDA	LDFA	Total Component Units
Cash and equivalents:				
Property tax collections	\$ 15,155,978	\$ -	\$ -	\$ -
Bond reserve	-	1,254,813	2,625,912	3,880,725
Unspent bond proceeds	-	3,691,706	668,018	4,359,724
Net assets held by Wayne County	1,301,954	-	-	-
Total restricted assets	<u>\$ 16,457,932</u>	<u>\$ 4,946,519</u>	<u>\$ 3,293,930</u>	<u>\$ 8,240,449</u>

Enterprise Fund net assets totaling \$1,310,954 are restricted for water line and sewer system construction, replacement, and improvement and debt service. These restricted assets result from the issuance of debt or the receipt of contributed capital and, therefore, it is not necessary to restrict net assets. The remaining balance of \$15,155,978 is from property tax collections and is restricted for debt service payments. Net assets have been restricted for this amount.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 7 - Restricted Assets (Continued)

Restricted assets in the Downtown Development Authority are restricted for the purpose of the 2005A Tax Incremental Revenue Bonds and the 2005B Tax Incremental Revenue Refunding Bonds debt reserve requirements. Net assets have been restricted for \$1,254,813. Restricted assets in the Local Development Finance Authority are restricted for the 2003 revenue bond debt reserve requirements and unspent bond proceeds. Net assets have been restricted for \$1,951,250.

### Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injuries and medical benefits, and participates in the risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements and the Water and Sewer Fund. Changes in the estimated liability for the years ended December 31, 2005 and 2004 were as follows:

Estimated liability - January 1, 2004	\$ -
Claims incurred - Including changes in estimates	95,869
Claim payments	<u>(95,869)</u>
Estimated liability - December 31, 2004	-
Claims incurred - Including changes in estimates	54,573
Claim payments	<u>(54,573)</u>
Estimated liability - December 31, 2005	<u>\$ -</u>

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2005

### **Note 9 - Defined Contribution Pension Plan**

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate as of the first day of the next month after employment. As established by union or employee contractual agreements with general government employees, the Township contributes 12 percent of employees' base earnings and employees contribute a minimum of 5 percent of earnings, with the option of contributing up to 15 percent. In accordance with these requirements, the Township contributed approximately \$353,000 during the current year, and employees contributed approximately \$175,000.

### **Note 10 - Defined Benefit Pension Plan**

**Plan Description** - The Township's police command, police officers, and dispatch employees participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Township's collective bargaining units and arbitration rulings under Michigan Public Act 312 of 1969 and requires a contribution from the employees of 5 percent and 8.55 percent of base wages for the police patrol/dispatch and police command, respectively. Additionally, the Township contributes 12 percent of base wages for the police patrol/dispatch and command annually.

**Annual Pension Costs** - For the year ended December 31, 2005, the Township's annual pension cost of \$300,481 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an initial actuarial valuation performed by MERS at October 1, 2001, using an entry age normal actuarial method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year, attributable to inflation plus additional salary increases attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll over a period of years. The remaining amortization period is 30 years.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 10 - Defined Benefit Pension Plan (Continued)

Additional actuarial information for the Michigan Municipal Employees Retirement System is as follows:

	2005	2004
Annual pension costs (APC)	\$ 300,481	\$ 79,828
Percentage of APC contributed	100%	100%
Net pension obligation	\$ -	\$ -
		2004
Actuarial value of assets		\$ 1,519,751
Actuarial accrued liability (entry age) (AAL)		\$ 3,195,037
Unfunded AAL (UAAL)		\$ 1,675,286
Funded ratio		47.60%
Covered payroll		\$ 2,032,889
UAAL as a percentage of covered payroll		82.41%

The Township's participation in the plan was initiated during the year ended December 31, 2004. As the actuarial valuation for the year ended December 31, 2005 was not available as of the audit date, only one year of trend information is disclosed during the current year.

### Note 11 - Contingent Liabilities

The Township, along with several other communities in the Downriver Sewer Disposal System, was involved in litigation brought by the U.S. Environmental Protection Agency related to violations of the U.S. Clean Water Act. As a result of the violations, the communities are obligated to upgrade the system. The Township issued bonds approximating \$2,722,000 to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, final completion bonds and capital improvement bonds of approximately \$162,000 are expected to be issued during 2006.

### Note 12 - Other Postemployment Benefits

The Township provides health care benefits to all full-time employees meeting age and years of service requirements, upon retirement, in accordance with labor contracts. Currently, 12 retirees are eligible. The Township includes pre-Medicare retirees and their spouses (with a copay) in its insured health care plan. The Township purchases supplemental insurance for eligible retirees.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 12 - Other Postemployment Benefits (Continued)

Expenditures for postemployment health care benefits are recognized in the General and Water and Sewer Funds as the insurance premiums become due; during the year, this amounted to approximately \$86,000 and \$12,000, respectively.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

### Note 13 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Landfill Fund	Capital Improvement Fund
Senior center bequest fund	\$ 19,803	\$ -	\$ -
Estimated future insurance claims	250,000	-	-
French Landing dam improvements	112,500	-	-
Computer networking equipment	20,000	-	-
Compensated absences	70,030	-	-
Sidewalk maintenance	25,000	-	-
Quirk/Tyler property improvement	800,000	250,000	-
Capital improvement	-	-	463,104
Fire equipment replacement	360,491	-	-
Retiree health care	-	800,000	-
Debt service	-	5,100,000	-
Designated for subsequent year's budgeted expenditures in excess of budgeted revenue	504,208	-	-
Total	<u>\$ 2,162,032</u>	<u>\$ 6,150,000</u>	<u>\$ 463,104</u>

# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2005**

### **Note 14 - Joint Ventures**

The Township is a member of the South Huron Valley Utility Authority (the "Utility Authority"). The Utility Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Utility Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$485,760 toward the operation of the system. In addition, debt payments of \$600,467, including both principal and interest, were made to the Utility Authority. The Township's portion of the debt is recorded in the Township's Water and Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Water and Sewer Fund. Complete financial statements for the Utility Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$240,684 for operations of the system and \$95,085 for debt service. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 11.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2005

### Note 15 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned, as does the Enterprise Fund. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Enterprise Fund
	Unavailable	Unearned	Total	Unearned
Property taxes levied for 2006	\$ -	\$ 3,815,076	\$ 3,815,076	\$ 5,503,716
Special assessments	226,396	-	226,396	-
Grants not received within 60 days after year end	141,475	-	141,475	-
Program income not spent by December 31, 2005	-	386	386	-
Total	<u>\$ 367,871</u>	<u>\$ 3,815,462</u>	<u>\$ 4,183,333</u>	<u>\$ 5,503,716</u>

### Note 16 - Subsequent Event

On April 4, 2006, the Township approved the issuance of Capital Improvement Bonds, Series 2006 (General Obligation Limited Tax) totaling \$5,120,000 at an interest rate range of 3.75 percent to 4.25 percent. The bonds are payable through 2022.

## **Required Supplemental Information**

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# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 739,887	\$ 722,387	\$ 725,773	\$ 3,386
Public safety tax revenue	2,373,470	2,373,470	2,383,749	10,279
Licenses and permits	1,377,750	1,004,800	1,020,215	15,415
State sources	1,924,700	1,924,700	2,013,192	88,492
Charges for services	567,622	616,529	645,217	28,688
Fines and costs	248,000	248,000	236,503	(11,497)
Interest income	120,000	160,000	217,243	57,243
Other revenue	720,323	809,898	811,777	1,879
Total revenue	8,071,752	7,859,784	8,053,669	193,885
<b>Other Financing Sources - Operating transfer in</b>	3,447,775	3,417,330	3,417,330	-
<b>Expenditures</b>				
General government:				
Township board	176,786	161,936	151,941	9,995
Supervisor	208,230	206,760	199,563	7,197
Elections	90,200	76,850	64,567	12,283
Assessor	271,618	272,872	269,508	3,364
Clerk	358,560	358,560	346,634	11,926
General office	347,200	389,200	359,136	30,064
Treasurer	300,162	301,162	290,759	10,403
Buildings and grounds	606,800	613,150	631,755	(18,605)
Accounting	55,000	55,000	57,153	(2,153)
Attorney fees	375,000	310,000	308,255	1,745
Cemetery	7,300	6,300	1,881	4,419
Total general government	2,796,856	2,751,790	2,681,152	70,638
Public safety:				
Police	3,696,521	3,991,696	3,950,975	40,721
Fire	1,158,682	1,036,782	961,719	75,063
Dispatch operation and maintenance	522,892	522,892	462,538	60,354
Emergency management	8,522	7,400	7,440	(40)
Animal control	92,151	83,809	81,346	2,463
Building	1,085,411	998,991	909,158	89,833
Total public safety	6,564,179	6,641,570	6,373,176	268,394

# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Community and economic development - Environmental management	\$ 140,635	\$ 20,200	\$ 2,379	\$ 17,821
Recreation and culture:				
Senior citizens	188,873	181,973	185,380	(3,407)
Community services	168,400	150,900	149,806	1,094
Parks and lakes	367,300	370,925	372,053	(1,128)
Special events	91,400	103,400	94,796	8,604
Recreation	336,850	336,850	306,303	30,547
Library	395,245	397,197	397,197	-
Total recreation and culture	1,548,068	1,541,245	1,505,535	35,710
Public works - Contracted services	141,000	139,700	135,859	3,841
Other - Insurance and other	585,000	585,000	550,132	34,868
Total expenditures	11,775,738	11,679,505	11,248,233	431,272
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures</b>	(256,211)	(402,391)	222,766	625,157
<b>Fund Balance - Beginning of year</b>	3,086,357	2,855,648	2,855,648	-
<b>Fund Balance - End of year</b>	<u>\$ 2,830,146</u>	<u>\$ 2,453,257</u>	<u>\$ 3,078,414</u>	<u>\$ 625,157</u>

# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Landfill Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest	\$ 100,000	\$ 100,000	\$ 222,572	\$ 122,572
Landfill royalties	2,843,400	2,843,400	2,954,751	111,351
Total revenues	2,943,400	2,943,400	3,177,323	233,923
<b>Expenditures - Public safety</b>	1,500	401,500	-	401,500
<b>Excess of Revenue Over Expenditures</b>	2,941,900	2,541,900	3,177,323	635,423
<b>Other Financing Uses - Operating transfers out</b>	(3,300,000)	(3,532,854)	(3,532,854)	-
<b>Excess of Expenditures and Other Financing Uses Over Revenue</b>	(358,100)	(990,954)	(355,531)	635,423
<b>Fund Balance - Beginning of year</b>	8,493,141	9,069,549	9,069,549	-
<b>Fund Balance - End of year</b>	<u>\$ 8,135,041</u>	<u>\$ 8,078,595</u>	<u>\$ 8,714,018</u>	<u>\$ 635,423</u>

## **Other Supplemental Information**

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# Charter Township of Van Buren

	Special Revenue Funds			
	Community Development Block Grant	Drug Forfeiture Federal	Capital Improvement	Drug Forfeiture - State
<b>Assets</b>				
Cash and investments	\$ -	\$ 90,013	\$ 416,617	\$ 67,229
Receivables - Special assessments	-	-	-	-
Due from other funds	-	-	115,524	-
Due from other governmental units	158,421	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 158,421</u>	<u>\$ 90,013</u>	<u>\$ 532,141</u>	<u>\$ 67,229</u>
<b>Liabilities and Fund Balances (Deficit)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 22,126	\$ -	\$ 69,037	\$ 28,720
Accrued and other liabilities	-	-	-	-
Due to other funds	139,262	-	-	-
Deferred revenue	<u>113,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	275,115	-	69,037	28,720
<b>Fund Balances (Deficit)</b>				
Reserved	-	90,013	-	38,509
Unreserved - Designated	-	-	463,104	-
Unreserved - Undesignated	<u>(116,694)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(116,694)</u>	<u>90,013</u>	<u>463,104</u>	<u>38,509</u>
Total liabilities and fund balances (deficit)	<u>\$ 158,421</u>	<u>\$ 90,013</u>	<u>\$ 532,141</u>	<u>\$ 67,229</u>

**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2005**

Special Revenue Funds							
911 Service	Museum	Cable	Bemis Road Project	Lohr Road Project	Venetian DeWitt Paving	Belle Harbor/Lake Crest Paving	Total Nonmajor Governmental Funds
\$ 398,659	\$ 19,085	\$ 283,319	\$ 101,495	\$ 16,895	\$ 1,667	\$ 13,565	\$ 1,408,544
-	-	-	-	94,146	3,333	113,685	211,164
-	-	-	-	-	-	-	115,524
-	-	-	-	-	-	-	158,421
-	623	-	-	-	-	-	623
<u>\$ 398,659</u>	<u>\$ 19,708</u>	<u>\$ 283,319</u>	<u>\$ 101,495</u>	<u>\$ 111,041</u>	<u>\$ 5,000</u>	<u>\$ 127,250</u>	<u>\$ 1,894,276</u>
\$ 4,281	\$ 2,621	\$ 17,999	\$ -	\$ -	\$ -	\$ 6,362	\$ 151,146
-	-	516	-	-	-	-	516
-	-	724	-	93,182	4,944	121,215	359,327
-	-	-	-	94,146	5,000	127,250	340,123
4,281	2,621	19,239	-	187,328	9,944	254,827	851,112
394,378	17,087	-	101,495	-	-	-	641,482
-	-	-	-	-	-	-	463,104
-	-	264,080	-	(76,287)	(4,944)	(127,577)	(61,422)
394,378	17,087	264,080	101,495	(76,287)	(4,944)	(127,577)	1,043,164
<u>\$ 398,659</u>	<u>\$ 19,708</u>	<u>\$ 283,319</u>	<u>\$ 101,495</u>	<u>\$ 111,041</u>	<u>\$ 5,000</u>	<u>\$ 127,250</u>	<u>\$ 1,894,276</u>

# Charter Township of Van Buren

	Special Revenue Funds			
	Community Development Block Grant	Drug Forfeiture - Federal	Capital Improvement	Drug Forfeiture - State
<b>Revenue</b>				
Federal sources	\$ 128,403	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Interest income	-	2,453	14,011	2,509
911 revenue	-	-	-	-
Museum contributions and other	-	-	-	-
Forfeitures and seizures	-	4,526	-	16,131
Total revenue	128,403	6,979	14,011	18,640
<b>Expenditures</b>				
Public safety	-	7,417	-	96,041
Public works	-	-	-	-
Community and economic development	241,391	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	274,673	-
Total expenditures	241,391	7,417	274,673	96,041
<b>Excess of Revenue Over (Under) Expenditures</b>	(112,988)	(438)	(260,662)	(77,401)
<b>Other Financing Sources</b> - Transfers in	-	-	115,524	-
<b>Net Change in Fund Balances</b>	(112,988)	(438)	(145,138)	(77,401)
<b>Fund Balances (Deficit)</b> - Beginning of year	(3,706)	90,451	608,242	115,910
<b>Fund Balances (Deficit)</b> - End of year	<u>\$ (116,694)</u>	<u>\$ 90,013</u>	<u>\$ 463,104</u>	<u>\$ 38,509</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances (Deficit) - Nonmajor Governmental Funds**  
**Year Ended December 31, 2005**

Special Revenue Funds							
911 Service	Museum	Cable	Bemis Road Project	Lohr Road Project	Venetian DeWitt Paving	Belle Harbor/Lake Crest Paving	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,403
-	-	-	11,057	16,418	-	-	27,475
11,851	537	6,853	2,781	477	-	-	41,472
97,127	-	-	-	-	-	-	97,127
-	72,742	237,438	-	-	-	-	310,180
-	-	-	-	-	-	-	20,657
108,978	73,279	244,291	13,838	16,895	-	-	625,314
189,518	-	-	-	-	-	-	292,976
-	-	-	-	-	4,944	127,577	132,521
-	-	113,767	-	-	-	-	355,158
-	72,542	-	-	-	-	-	72,542
-	-	-	-	-	-	-	274,673
189,518	72,542	113,767	-	-	4,944	127,577	1,127,870
(80,540)	737	130,524	13,838	16,895	(4,944)	(127,577)	(502,556)
-	-	-	-	-	-	-	115,524
(80,540)	737	130,524	13,838	16,895	(4,944)	(127,577)	(387,032)
474,918	16,350	133,556	87,657	(93,182)	-	-	1,430,196
<u>\$ 394,378</u>	<u>\$ 17,087</u>	<u>\$ 264,080</u>	<u>\$ 101,495</u>	<u>\$ (76,287)</u>	<u>\$ (4,944)</u>	<u>\$ (127,577)</u>	<u>\$ 1,043,164</u>



April 5, 2006

To the Board of Trustees  
Charter Township of Van Buren  
Wayne County, Michigan

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Van Buren for the year ended December 31, 2005. As a result, we offer the following comments and recommendations for your consideration:

### **Revenue Sharing**

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue-sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue-sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared-revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue-sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long-term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State-shared revenue accounts for approximately 23 percent of the Township's total General Fund revenue. The table below details state-shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2001.

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**State Revenue Sharing (Continued)**

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$ 963,354	\$ 1,528,795	\$ 2,492,149	\$ -
2002	847,158	1,544,367	2,391,525	100,624
2003	718,450	1,570,514	2,288,964	203,185
2004	503,759	1,553,454	2,057,213	434,936
2005	444,261	1,590,528	2,034,789	457,360
2006*	391,602	1,630,210	2,021,812	470,337

\* Estimated

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$444,261 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

The revenue-sharing act does provide that a city, village, or township with a minimum 10 percent population growth confirmed by a special census, and levying at least one mill, is eligible for an annual payment for a portion or all of the growth population. Even if the Township meets these criteria, funds for the special census payment must be appropriated by the Legislature.

We will continue to update the Township as developments occur.

**Municipal Finance Act - Reminder**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end (June 30, 2006) and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

### **Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

<u>Year</u>	<u>Percentage</u>
2006	3.3
2005	2.3
2004	2.3
2003	1.5
2002	3.2
2001	3.2
2000	1.9
1999	1.6
1998	2.7
1997	2.8
1996	2.8

Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property taxes can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

### **Tax Matters**

The governor and the Legislature spent considerable time in 2005 on business tax reform, with specific focus on the Michigan Single Business Tax. The final approved business tax reform plan appeared to spare local governments from any negative impact of the changes. A key component to this plan is a significant credit on personal property taxes paid by certain businesses. Many questions have arisen from these proposals such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. Currently, the plan as passed provides for a personal property tax credit for certain businesses on their Michigan single business tax return. After the approval of these changes, new discussion and debate is ongoing regarding the complete repeal of the Michigan single business tax. While single business tax is not the source of revenue-sharing payments to local governments, the repeal of the Single Business Tax without replacement revenue or a corresponding reduction in State spending may impact the State's ability to fund statutory revenue sharing.

### **Local Government Finance Model**

In 2005, the governor created a Local Government Fiscal Task Force to study the financial challenges of Michigan local governments. While their report was originally due by November 30, 2005, the Local Government Fiscal Task Force held its first meeting in September 2005. A report from this group is expected in 2006. Unrelated to the Local Government Fiscal Task Force, Citizens Research Council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

### **Funding of Postemployment Benefit Obligations**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the Township will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. Although the statement will not be effective until the Township's 2008 calendar year, the Township should consider performing an actuarial valuation in the near future to provide an estimate as to what these annual costs may amount to. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

### **Downriver Sewer System**

As mentioned in previous years, the Township, along with several other communities in the Downriver Sewer System, are currently upgrading the system as a result of litigation brought by the U.S. Environmental Protection Agency. This upgrading is being administered by Wayne County, which includes the issuance of debt on behalf of the communities and construction and cash management. During our audit, the County was unable to confirm to us that all property taxes submitted to the County have been credited to "our account." The Township should follow up with County personnel to determine that all payments to the County are credited to Township "accounts."

## **Accounting Items**

We noted the following areas that may also need some attention during 2006:

**Wire Transfers** - According to the Township's ACH policy, approval from an elected official is not required for investment wire transfers. Therefore, the deputy treasurer has the ability to initiate and approve an investment wire transfer. During our testing, we did not find any discrepancies in the wire transfers, although we do recommend that the Township consider revising their ACH policy so that every ACH investment transfer requires written approval from a supervisor to ensure the safeguarding of Township's assets.

**Community Development Block Grant** - During the current year, \$113,342 of CDBG grant money was spent, but the reimbursement requests had not yet been submitted as of April 2006. Since this is a reimbursement type of grant, the Township's General Fund loans the money necessary to pay for the grant expenditures and is then repaid once the grant funds are received. At December 31, 2005, the CDBG fund had a deficit of \$116,694. We suggest submitting reimbursement requests at a minimum of a quarterly basis so that the General Fund is repaid in a more timely manner.

**Customer Deposits** - During our audit, it was noted that the customer deposits payable listing as of December 31, 2005 had a significant balance of deposits over a year old. The Township should monitor this listing at a minimum quarterly to ensure all completed project deposits are refunded timely.

**Manual Journal Entries** - During our journal entry testing, it was noted that not all journal entries are reviewed by another individual prior to posting. Although the Township treasurer does review the general ledger regularly, we recommend the Township initiate a policy in which these journal entries are systematically reviewed and a signature is placed on all entries as evidence of review.

April 5, 2006

We would like to thank the board of trustees, supervisor, clerk, treasurer, and other departmental staff for the courtesy and cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Township. We would be happy to answer any questions you have regarding the annual financial report, or the above comments and recommendations at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "David H. Helisek".

David H. Helisek

A handwritten signature in black ink, appearing to read "Wendy N. Trumbull".

Wendy N. Trumbull